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Eve Engledow  
HM Treasury  
1 Horse Guards Road  
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16 June 2006

Dear Ms Engledow

## **Extending employers' freedoms: A consultation on facilitating financial promotions in the workplace**

Thank you for agreeing to extend the deadline for responses to this Consultation Paper until today.

The Financial Services Consumer Panel supported the exemption of employers from the requirements of the financial promotions regime when this issue was raised in 2004. As the Consultation Paper acknowledges, in practice many employers outsource the administration of their pension scheme resulting in the staff of the outsourced company having the necessary knowledge and competence to give information and advice to employees. In these circumstances we support the proposed extension of the exemption for work place pensions promotions to third parties, with appropriate safeguards.

Our response to the specific questions posed in the Paper are set out below:

*Q1: Do you consider that the exemption for workplace pensions promotions in article 72 of the Financial Promotion Order should be extended to cover third parties?*

Yes, we believe this makes sense and we support the extension of the exemption to third parties.

*Q2: Do you consider that these third parties should be required to be contracted by the employer to make promotions about the employer's group personal pension scheme or stakeholder pension scheme?*

Yes.

*Q3: Do you consider that an exemption for all third parties, as long as they have a contract with the employer, is too broad?*

Provided there is a contractual obligation and requirements imposed on the employer to ensure that third parties are knowledgeable and competent, we would not consider this too broad.

*Q4: Do you consider that the employer should be satisfied that third party pensions administrators are knowledgeable and competent to make the promotion? Do you consider that this requirement should be covered by guidance or by legislation?*

We believe that employers and third party pension administrators should be required to ensure that their staff have good knowledge of the pension schemes and the skills to clearly communicate with employees, particularly inexperienced employees who may have difficulty in understanding the benefits of a pension scheme. The requirements must be effectively enforced, whether imposed by legislation or in guidance.

*Q5: Do you consider that the legislation should specify that third party pensions administrators should explain to each employee the size of any direct financial benefit that they will receive as a result of that employee either taking up a pension or increasing the size of their pension investment? Alternatively should this be left to guidance, or should this condition not be adopted?*

We believe it is essential that third party administrators are required to tell each employee about any direct financial benefit they will receive as a result of that employee taking up or increasing the size of their pension investment. This requirement must be rigorously enforced.

*Q6: Do you consider that any other conditions should be applied, either in the legislation or in guidance?*

We have no comments on this question.

*Q7: Do you consider that employers should be provided with a specific new exemption from the financial promotion regime in relation to any communication which they make to their employees in relation to insurance products?*

We support the introduction of a new exemption in this area. We would like this to cover the promotion of all insurance products such as Permanent Health Insurance and life assurance which are often offered to employees as part of a benefits package. This would be subject to the same conditions applied to the exemption for pensions promotions.

*Q8: Do you consider that the legislation should specify that this exemption applies to any insurance contract or should it be limited to work-related insurance products?*

We would like to see the exemption limited to work-related products.

*Q9: Do you consider that the conditions attached to Article 24 of the Financial Promotion Order should not apply, but that; (i) employers should be prohibited from*

*receiving commission from a provider of insurance in the event that an employee, as an individual, enters into a contract of insurance as a result of a promotion by an employer, and that; (ii) employers should be required, when writing to employees, to remind them of their right to seek advice from an authorised person or an appointed representative?*

We support this proposal.

*Q10: Do you consider that any other conditions should apply?*

We have no comments on this question.

*Q11: Do you consider that the existing exemptions from the financial promotion regime for share saver schemes and share incentive plans, as set out in article 60 of the Financial Promotion Order, need to be amended or expanded, and if so how?*

We have no comments on this question.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'J. Howard', written in a cursive style.

John Howard  
Chairman